

Memo to City Council

Subj: Funding of Non-Profit Agencies

To assist Council in its discussion regarding the future funding on non-profit agencies the following is offered.

Traditionally, services in a community have been delivered in three ways, by private business, by the public sector or through non-profit agencies. Non-profits have typically been formed in response to perceived needs of the community that were not being met by either the private or public sectors. They are usually started by volunteers who feel strongly about serving unmet community needs. As the agencies mature, they may add paid staff to better coordinate the activities of the organization. In many cases, government, be it federal, state, or local, has made resources available to non-profit agencies to address issues determined to be in the public interest. Because of their reliance on volunteers and their otherwise low overhead and lack of extensive regulations, some perceive that non-profit agencies can deliver desirable community services at a lower cost than through government bureaucracy.

Facing severe fiscal challenges many localities are starting to question if they should continue to make contributions to non-profit agencies. They wonder if the services being provided by the non-profits are appropriate “core” services or if other services deserve a higher priority in funding decisions. They may also suggest that, if community members feel strongly enough about certain services, they should step up both their contributions and their volunteer efforts to address the needs. Making the matter more difficult is that, in some communities, continued funding of non-profits has been taken for granted because of long practice and there has been a lack of adequate information provided to the local government so that it can judge the value and effectiveness of the agencies.

Ultimately, the decision on whether or not to provide local tax dollars to non-profit agencies is a public policy decision of the governing body. In order to make an effective decision, the following questions could be considered.

- How does the service provided by the non-profit agency relate to the goals and priorities of the governing body?
- What is the relationship of the services provided to other local core services? How will the provision of services by a non-profit agency either reduce the demand for core services or improve the efficiency and effectiveness of their delivery?
- What services might the local government have to deliver if services provided by the non-profit agency were no longer available?

- How will local funding be utilized? Will it leverage other funding to expand the level of service delivery? What is the proportion of local funding compared to other sources of funding?
- What is the cost of services provided? How does this compare with the cost of services provided by the local government, including overhead?
- For a region serving agency, is the amount of service delivered in the locality proportional to its contribution?

If Council wishes to consider the continued funding of non-profit agencies, the attached “Non-Profit Funding Request Application” could be used to gather information helpful to making funding decisions.

Also attached is a letter from United Way of Central Virginia President Eric Aft suggesting an alternative means of funding non-profit agencies. The United Way has a well-tested and thorough process of evaluating non-profit funding requests.

Staff will be prepared to facilitate Council’s discussion of this matter during your retreat on Wednesday. If you have any questions before then, please let us know.

DRAFT

City of Lynchburg Non-Profit Funding Request Application

1. Agency Name: _____
Address: _____
Street/P.O. Box _____ City _____ State _____ Zip Code _____
Phone Number: _____ Fax number: _____ E-mail: _____
Web Site Address: _____
2. Chief Executive Officer: _____
3. Agency Fiscal Year: _____
4. Funding Request: On an attachment, provide the following information:
- A. *Describe your request for funding. Is this a new or existing program or capital project? Has this program or capital project ever received funding from the City of Lynchburg (including Community Development Block Grant monies)?*
- B. *Identify how many clients will be served in the coming year in the corporate limits of the City of Lynchburg and how many are served in each locality of Region 2000. How will you collaborate/partner with other agencies/local governments to strengthen the service delivery of your agency?*
5. Program/Capital Project Outcomes: On an attachment, provide the following information:
- A. *Describe the need for this program/project in the corporate limits of the City of Lynchburg. What are the intended outcomes and/or effects of the program/project? Outcomes must be attainable and measurable and should address the impact of the program or project on the City.*
6. Impact on Government Services: On an attachment, describe how this program or project impacts the City.
- A. *Does this program or project provide a service currently provided by the City government in a more cost-effective manner? Will the program or project generate revenue to the City (increased taxable real estate value, amusement tax, etc.)?*

Budget Period: July 1, 2004 To June 30, 2005

Agency: _____

Program/Capital Project : _____

<u>REVENUE</u>	<u>FY 2004 BUDGET</u>	<u>FY 2005 PROPOSED BUDGET</u>
Source		
Local Government (be specific):		
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
Community Development Block Grant: (be specific by locality)		
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
United Way Funding	\$ _____	\$ _____
Federal or State Grants, Contracts & Fees	\$ _____	\$ _____
Foundations	\$ _____	\$ _____
Corporations	\$ _____	\$ _____
Earned Income, Program Fees	\$ _____	\$ _____
Donor Designations from United Way, Combined Federal Campaign and other Federated Campaigns	\$ _____	\$ _____
Community Solution Designations	\$ _____	\$ _____
Individual Contributions/ Service or Civic Clubs	\$ _____	\$ _____
Funding Raising Events & Products	\$ _____	\$ _____
Memberships	\$ _____	\$ _____
Interest Income:	\$ _____	\$ _____
Other (Specify)		
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
TOTAL REVENUE	\$ _____	\$ _____

Budget Period: July 1, 2004 To June 30, 2005

	<u>FY 2004 BUDGET</u>	<u>FY 2005 PROPOSED BUDGET</u>
Expenditures		
Salaries	\$ _____	\$ _____
Benefits/Taxes	\$ _____	\$ _____
Professional Fees	\$ _____	\$ _____
Supplies	\$ _____	\$ _____
Telephone	\$ _____	\$ _____
Postage and Shipping	\$ _____	\$ _____
Occupancy	\$ _____	\$ _____
Insurance	\$ _____	\$ _____
Printing/Publications	\$ _____	\$ _____
Travel	\$ _____	\$ _____
Conferences and Fees	\$ _____	\$ _____
Direct Assistance to Clients	\$ _____	\$ _____
Organization Dues	\$ _____	\$ _____
Equipment Rental/Maintenance	\$ _____	\$ _____
Volunteer/Staff Recognition	\$ _____	\$ _____
Miscellaneous	\$ _____	\$ _____
Total Expenses	\$ _____	\$ _____
Balance (Total Revenues – Total Expenses)	\$ _____	\$ _____
 Total Agency Reserves	 \$ _____	 \$ _____
Total Agency Endowment	\$ _____	\$ _____